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State Department review completed

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2. Panikkar makes representations on behalf of US nationals in China:

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Indian Ambassador Panikkar on 2 October
made representations on behalf of US
nationals in Communist China to Chen Chia-

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kang, Director of the Asian Section of Peiping's Foreign Office. Chen in turn alleged that thousands of overseas Chinese were being detained in foreign countries, especially in Southeast Asia, but finally promised to investigate the cases on the Ambassador's list. The Indian Foreign Office, relaying the above conversation to the US Embassy in New Delhi, noted that Panikkar was the only mission chief in Peiping who had personally made representations for US nationals.

Comment: Chen Chia-kang is one of several Chinese Communist figures, assigned during and after World War II to liaison duties with American and other Western personnel, who acquired a reputation for being amiably disposed toward the US. There is no evidence, however, that he, a second-level functionary, is genuinely pro-Western. It is therefore doubtful that he either would or could do anything to improve the status of US nationals in Communist China.

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3. US Legation sees long French struggle against Viet Minh:

The US Charge in Saigon notes that most French officers and foreign attaches in Indochina do not agree with General de Lattre's recent estimate that he might be able to defeat the Viet Minh within two years. He

quotes the British Army Attache as estimating that a Viet Minh defeat is not possible in the foreseeable future. The US Charge further asserts that a deterioration of Viet Minh morale cannot be assumed and that, in any case, there is no present indication that their military strength is declining.

Comment: During the past ten months Viet Minh military strength in relation to that of the French has decreased. There are clear indications of deteriorating morale among the civilian population in Viet Minh areas. Military morale has probably been similarly affected. France's present military commitment in Indochina is straining its resources severely, and any conspicuous decline in Viet Minh strength probably would result in political pressure

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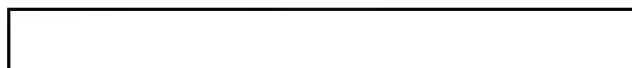
in France for the reduction of this commitment. Such a reduction would again shift the balance in favor of the Viet Minh.



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NEAR EAST

5. British Government split on naval blockade of Iran:

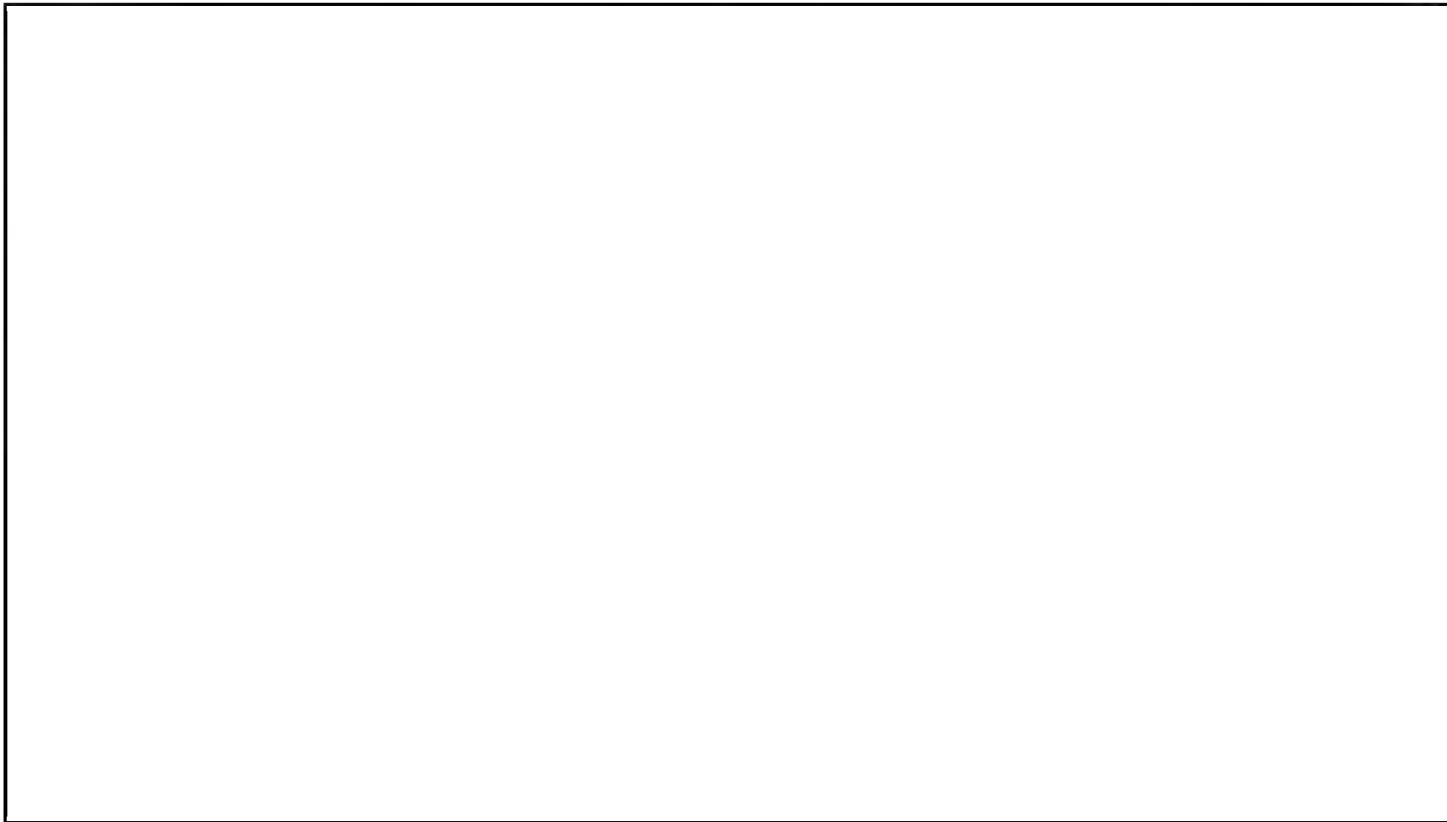
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There are divergent views within the British Government over the wisdom and legality of a naval blockade of future Iranian oil shipments, according to the US Ambassador in London.

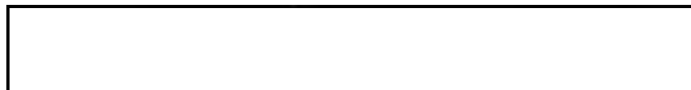
Comment: A blockade of Abadan would be an effective way of denying to Iran the benefits of oil nationalization. Lack of unanimity among the British on this subject, however, suggests that they will make no immediate attempt to use military force against Iran in connection with the oil issue.

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WESTERN EUROPE

7. France wants to increase imports from the Soviet bloc:

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Although the French Foreign Office denies that it is seeking another Economic Commission for Europe meeting on East-West trade, French officials in the past two weeks have been putting increasing emphasis on their

country's need for more imports from the Soviet bloc.

A general France-USSR commercial treaty was signed in early September, and the two countries are now negotiating for its implementation. The Soviet Union particularly desires textiles and large quantities of copper wire.

Comment: At the August Economic Commission for Europe meeting on East-West trade, the French were anxious to explore all possibilities of trade with the USSR in non-critical items. They wanted to prevent the USSR from charging France with the failure of the talks, but they also had legitimate commercial motives. At the same meeting, the USSR showed an interest in obtaining from France steam boilers, lead and other metals, reinforcing rods, ships, and machinery. The French themselves are faced with a copper shortage.

When the US made inquiries about the French agreement in June to give the Poles ball bearings, French officials replied that they reserved the right to export limited quantities of critical items to the Orbit when necessary to obtain vital imports such as coal.

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